

Budget Brief – Utah Science, Technology, and Research

NUMBER EDR-12-08

SUMMARY

During the 2005 General Session, the Legislature allocated funding to the University of Utah and Utah State University to recruit and hire research teams, purchase research equipment, and develop a high technology research and development initiative-later named the Utah Science, Technology, and Research, (USTAR) Economic Development Initiative. The 2006 General Session passage of S.B. 75 (USTAR Initiative) greatly broadened the scope and funding of USTAR, establishing statutory authority in UCA 63-38g, *Utah Science Technology and Research Governing Authority Act*.

The USTAR program has three major components: construction of research buildings at the University of Utah and Utah State University, recruiting and hiring of top-notch research teams in fields where Utah has a competitive advantage and operation of a technology outreach program at 5 locations throughout Utah. The USTAR research teams are expected to bring new funding to the state through federal and commercial contracts and grants for the development of new technologies. Ultimately, USTAR aims to generate more technology-based start-up firms and higher-paying job opportunities in Utah through the commercialization of these technologies.

ISSUES AND RECOMMENDATIONS

USTAR Funding and Legislative Intent

The 2006 USTAR legislation appropriated \$15.25 million to the USTAR Governing Authority. Intent language in the bill provided that the appropriation is non-lapsing and identified specific uses. The Governing Authority is to use up to \$250,000 for administrative costs, allocate up to \$11 million to University of Utah and Utah State University to fund research teams and the commercialization of technologies developed by these teams.

Senate Bill 75 also transferred the \$4 million ongoing General Fund appropriation authorized in S.B. 192, *High Technology Economic Development Appropriation* (General Session 2005) from the universities to the USTAR Governing Authority to “provide funding for the Utah Science Technology and Research Project.”

Research Buildings

Senate Bill 75 authorized the issuance and sale of \$111.1 million in general obligation bonds and appropriated \$50 million one-time from the General Fund in Fiscal Year 2007 to the USTAR Governing Authority for the construction of two research buildings—one at the University of Utah and the other at Utah State University. Before these funds may be expended, the universities must certify, together, non-state fund commitments of \$40 million.

Figure 1: USTAR - USTAR - Budget History

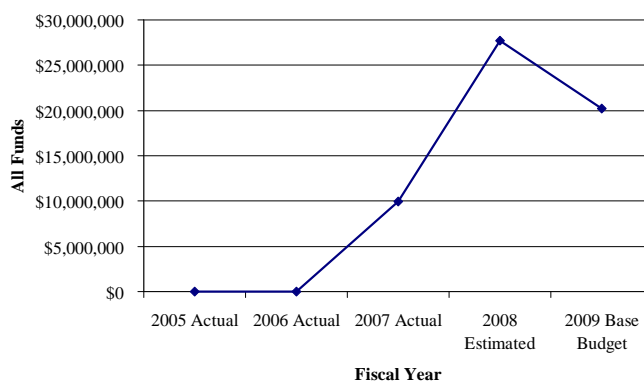
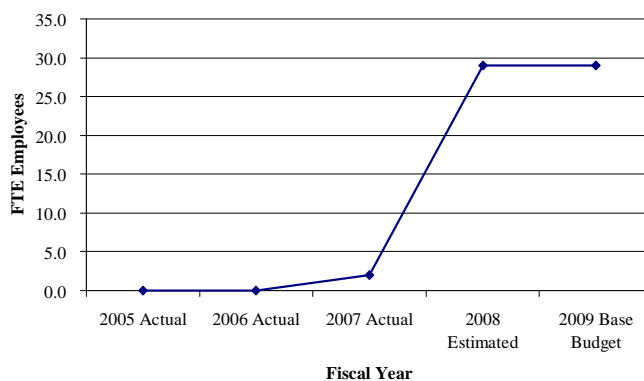


Figure 2: USTAR - USTAR - FTE History



University of Utah

The facility planning process for the building on the University of Utah campus is currently in the programming phase, expected to be completed Fall 2007.

Utah State University

The facility planning process at Utah State University is also in the programming phase, expected to be completed Fall 2007.

Technology Outreach and Innovation Program

As noted previously, intent language in S.B. 75 directs the USTAR Governing Authority to use up to \$4 million annually towards the operation of a technology outreach program, which will link local businesses and entrepreneurs with USTAR resources. The Governing Authority has identified Weber State University, Salt Lake Community College, Utah Valley State College, Dixie College and Utah State University's Uintah Basin Campus as outreach center sites.

The Technology Outreach and Innovation program will act as a resource to:

- Enable web-based connectivity for service providers and the various stakeholders of USTAR.
- Engage local entrepreneurs by connecting them to Utah's research Universities
- Engage professors, lecturers and researchers at applied technology centers, colleges, and universities by connecting them to Utah's research universities
- Broker ideas, new technologies, and services to entrepreneurs and businesses through service areas.
- Connect the resources and expertise of the research universities with regional campuses and communities such that local entrepreneurs and businesses have access to emerging technologies for the benefit of regional economies.
- Collect and report data on the state's return on investment for the USTAR program in general and the Technology Outreach Program specifically.
- Provide, through the Utah higher education system, expertise and resources to advise new and/or existing businesses about technology transfer, protection of intellectual property, development of a business plan, business organization, financing, marketing and other skills useful or necessary to develop ideas into profitable businesses.

ACCOUNTABILITY DETAIL

The USTAR Governing Board and Executive Director are working to develop meaningful performance measures as part of the Governor's Balanced Scorecard Initiative. At the current time they have developed matrix which will assist in measuring the success of the program. However, actual data collection for many of the measures is a couple of years off. As the data is available the matrix will be included in the accountability detail. The Analyst recommends that the USTAR Governing Board provide a written update on the performance measure detail in the 2008 Interim to the Economic Development and Revenue Appropriations Subcommittee.

BUDGET DETAIL

Figures 1 and 2 on the first page and the following table show budget details for the USTAR. Funding for FY 2009 is comprised entirely of General Fund monies with some non-lapsing balances. The ongoing appropriation of \$19.25 million and one-time appropriation of \$50 million for buildings are tracked in separate line items. Within the USTAR line item, are four programs—Administration, Technology Outreach, Research Teams, and USTAR Projects—with funding levels that match legislative intent as described in S.B. 75. The Capital budget is also included for reference funding will continue to carry forward until the research buildings are completed.

USTAR - USTAR						
Sources of Finance	FY 2007 Actual	FY 2008 Appropriated	Changes	FY 2008 Revised	Changes	FY 2009* Base Budget
General Fund	19,250,000	19,324,500	0	19,324,500	0	19,324,500
Beginning Nonlapsing	0	0	9,286,300	9,286,300	(8,401,600)	884,700
Closing Nonlapsing	(9,286,300)	0	(884,700)	(884,700)	884,700	0
Total	\$9,963,700	\$19,324,500	\$8,401,600	\$27,726,100	(\$7,516,900)	\$20,209,200
Programs						
Administration	225,800	261,300	24,200	285,500	(24,200)	261,300
Technology Outreach	446,300	4,063,200	2,669,000	6,732,200	(1,784,300)	4,947,900
Research Teams	9,291,600	11,000,000	1,708,400	12,708,400	(1,708,400)	11,000,000
Project	0	4,000,000	4,000,000	8,000,000	(4,000,000)	4,000,000
Total	\$9,963,700	\$19,324,500	\$8,401,600	\$27,726,100	(\$7,516,900)	\$20,209,200
Categories of Expenditure						
Personal Services	485,300	1,482,000	974,500	2,456,500	0	2,456,500
In-State Travel	8,900	5,000	84,300	89,300	0	89,300
Out of State Travel	5,400	5,000	21,000	26,000	0	26,000
Current Expense	9,440,600	17,829,700	6,833,400	24,663,100	(7,444,900)	17,218,200
DP Current Expense	23,500	2,800	488,400	491,200	(72,000)	419,200
Total	\$9,963,700	\$19,324,500	\$8,401,600	\$27,726,100	(\$7,516,900)	\$20,209,200
Other Data						
Budgeted FTE	2.0	13.0	16.0	29.0	0.0	29.0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

USTAR - USTAR Capital Developments						
Sources of Finance	FY 2007 Actual	FY 2008 Appropriated	Changes	FY 2008 Revised	Changes	FY 2009* Base Budget
General Fund, One-time	50,000,000	0	0	0	0	0
Beginning Nonlapsing	0	0	49,042,000	49,042,000	(11,850,000)	37,192,000
Closing Nonlapsing	(49,042,000)	0	(37,192,000)	(37,192,000)	12,000,000	(25,192,000)
Total	\$958,000	\$0	\$11,850,000	\$11,850,000	\$150,000	\$12,000,000
Categories of Expenditure						
Personal Services	0	0	152,000	152,000	0	152,000
Other Charges/Pass Thru	25,200	0	11,698,000	11,698,000	(11,698,000)	0
Operating Transfers	932,800	0	0	0	11,848,000	11,848,000
Total	\$958,000	\$0	\$11,850,000	\$11,850,000	\$150,000	\$12,000,000

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

LEGISLATIVE ACTION

The Analyst recommends the following budget action for USTAR:

- Adopt a base budget totaling \$20,209,200 for the entire USTAR agency and a \$12,000,000 carryforward for Capital Developments.